

## FINANCE

(Standing Committee of Berkeley County Council)

Chairman: Mr. Jack H. Schurlnknight, District No. 6

A special **meeting** of the **COMMITTEE ON FINANCE**, Standing Committee of Berkeley County Council, was held on **Monday June 29, 2009** at 7:00 p.m., in the Supervisor's Conference Room, County Administration Building, 1003 Highway 52, Moncks Corner, South Carolina.

**PRESENT:** Chairman Jack H. Schurlnknight, Council District No. 6; Committee Member Phillip Farley, Council District No. 1; Committee Member Timothy J. Callanan, Council District No. 2; Committee Member Robert O. Call, Jr., Council District No. 3; Committee Member Cathy S. Davis, Council District No. 4; Committee Member Dennis L. Fish, Council District No. 5; Committee Member Caldwell Pinckney, Jr., Council District No. 7; Committee Member Steve C. Davis, Council District No. 8; Supervisor Daniel W. Davis, ex officio; Mr. Josh Gruber, Assistant County Attorney; and Ms. Barbara B. Austin, Clerk of County Council.

In accordance with the Freedom of Information Act, the electronic and print media were duly notified.

*During periods of discussion and/or presentations, minutes are typically condensed and paraphrased.*

Finance Committee Chairman Jack H. Schurknicht called the meeting to order. Committee Member Pinckney provided the invocation. Committee Member Steve Davis led in the Pledge of Allegiance to the Flag of the United States of America.

**A. Bill No. 09-21**, an ordinance providing appropriations for the fiscal year beginning **July 1, 2009, and ending June 30, 2010**, for **Berkeley County**; to provide for levy of taxes on all taxable property in Berkeley County for all county purposes; to provide for the expenditures of said taxes and other revenues coming into the county for the fiscal year.

Finance Director Kace Smith presented the 'FY 09-10 Recommended Budget'. She stated it was essentially an overview of the June 19 Budget Workshop since no written questions had been submitted by Council members. *(A copy of this presentation is attached hereto and made a part hereof by this reference.)*

The June 19 presentation, based on projections through June 30, included anticipated savings from Elected Officials' current year allocations. There were no savings, however, further reduction of the Elected Officials' Budgets would be detrimental to their departmental operations. Current year revenues and expenditures have resulted in an anticipated shortage of \$993,000.

Ms. Smith presented several funding alternatives including some use of the Capital Improvement Fund or the Fund Balance. Capital Improvement funds were budgeted for the Detention Center; however, finalization of the bond issue has 'freed up' those funds for other needs.

Committee Member S. Davis asked about the feasibility of delaying other 'large item expenditures' instead of the Detention Center. Ms. Smith stated that completion of the Detention Center was not in question; its funding would simply come from another source.

Committee Members S. Davis and Fish expressed concern about the stated \$993,000 shortfall. Committee Member Fish asked, "You are talking about an operating loss in 2008-2009 of about \$993,000; how are you getting that number?" He stated that his own calculations, based on expenditures through May 31, suggested an 'under budget' total of \$4,600,000. Ms. Smith stated that FY 09 had been impacted by an additional pay period (approximately \$850,000) and other outstanding expenditures.

Committee Member S. Davis asked why the anticipated shortfall had increased to \$993,000 from an original projection of \$250,000. Ms. Smith responded that certain Elected Officials' expenditures had not impacted the current year as anticipated and no savings would be possible from the Elected Officials' Budgets. Further reductions of their allocations would negatively impact their departments.

Committee Member Callanan asked what portion of the \$11 Million dollar tax delinquency was attributable to the County. Ms. Smith replied that \$1.5 Million was the County's portion; the balance included schools, fire fees and other entities for which the County collects taxes.

Supervisor Davis stated that, relative to business license 'fees' or 'taxes', the county loses some revenue from business personal property which can continue to accrue 'on the books when unpaid. That loss is currently estimated at \$200,000.

#### **Estimated Revenue - FY 09-10**

Ms. Smith stated that revenues decreased 5% from the FY 08-09 budget. Attributing factors include "Aid to Subdivision" (almost \$1.5 M, or a 21% decrease in budgeted revenue); "Permitting revenue" (\$800,000 less than previous year, or 33% less than the FY 08-09 budget); "ROD" filing fees decreased by \$1.1M, or 48% less than FY 08-09.

#### **Estimated Personnel Expenditures - FY 09-10**

The budget excludes new positions, Cost-of-Living salary increases and Merit increases. Three furlough days were added with the possibility of more if necessary. Ms. Nita Turner, Human Resources Manager, stated that furlough days had been difficult to implement due to certain work schedules. A solution would be dividing the 'total dollar value' of the three furlough days equally across the twenty-six annual pay periods. The Clerk of Court Department could designate "Confederate Memorial Day" and "President's Day" as two furlough days, with

a flexible third furlough day. Sheriff and EMS Departments would schedule furlough days to ensure convenient operation. Information Technology and the Register of Deeds Departments are also subject to mandatory presence despite 'closed' days. The ROD office is 'tied to' the Court System and can close two of the three furlough days; therefore every County employee (except for Emergency personnel) will be out for 2 of the 3 furlough days.

Ms. Smith stated that a single 'furlough day' provides a savings of \$86,000. The December 2008 cost saving resolution that 'froze' all non-critical positions will continue through FY 2010. Open and/or vacant positions equate to \$648,000 in salary and benefits. These positions were not included in the FY 2010 budget, but may be restore at a later date.

Committee Member Fish asked how a position is deemed 'non-critical' versus 'critical' and how internal transfers or resignations will impact departments. Ms. Nita Turner, Human Resources Director, replied that remedies include the work readjustment program; shifting responsibilities to other employees when feasible; and the use of temporary employees. Also, the "Palmetto Youth Works" program's students, ages 18 – 24, can fill departmental needs formerly met with paid summer help.

Ms. Turner further stated that employee layoffs are not a consideration at this time. Departments that have experienced a significant slowdown may allow employees to accept temporary assignment to departments that need assistance.

Ms. Smith stated that a committee of employees from many departments has evaluated potential savings in the area of employee benefits. The committee budgeted a non-specified savings of \$417,000 to minimize the possibility of additional furlough days or a tax increase. Specific recommendations are anticipated to be presented to Council in January 2010.

Ms. Turner stated that the Compensation and Benefits Study results are expected within weeks pending receipt of final information from the State. Preliminary analysis suggests that the County's withdrawal from the 'state insurance plan' would be advantageous. The County currently pays 100% of Employee health insurance. Passing a portion of benefits costs to employees is under consideration.

Ms. Smith stressed that any Benefits modifications should be promptly communicated to employees to allow adequate time to financially prepare for changes.

### **Estimated Operating Expenditures – FY 2009 – 2010**

Training was consolidated into a single 'Training Budget' (Page GTF 69) as a 'non department-specific' expense. The Human Resources Department retained a separate 'Training Budget' for 'overall' employee training in leadership, sexual harassment, etc. Department Directors would essentially be required to request approval from Human Resources to provide Training within their departments.

Committee Member Fish stated "First, let me remind you, this is Council's budget and I don't know if Council needs to go to somebody else to get approval." Ms. Smith stated that

training funds can be returned to Council's budget; the intention was simply to streamline the process. Exceptions are the Department of Social Services and the Health Department. Entities such as the BCD Council of Governments and Regional Development Alliance also have separate funding mechanisms.

Funding for 'outside agencies' (fire departments, museums, rescue squad, etc.) was decreased by 5% from FY 08-09 which will yield an approximate savings of \$16,000.

#### **Estimated Capital Expenditures – FY 2009 – 2010**

No funds were budgeted for this item.

#### **Lease Purchase**

If no additional lease-purchases are initiated, the County's final lease-purchase payment will be made in 2012. The General Fund presently funds over \$1,053,000 lease-purchase principal and interest payments.

Supervisor Davis stated that the State Legislature had reduced funds that support many state functions for which the County is responsible. "Aid to Subdivision" has been cut.

#### **Estimated Transfers**

The use of \$1 Million of Capital Improvement funds is recommended to pay down lease purchase debt to help balance budgeted revenues and expenditures. Estimated CIF transfers include \$434,380 to fully fund Cypress Gardens through FY 09-10.

Committee Member Callanan stated "You are recommending \$100,000 more, then, for FY 09-10", and stated that \$611,000 for Cypress Gardens Personnel costs was a significant increase. Ms. Smith stated that a single Cypress Gardens pay period costs \$27,500. A 20% increase was budgeted for Workers Compensation as well as a 2.2% in Health Insurance. No new positions were budgeted.

Committee Member Callanan stated that Accommodations Tax revenue was the appropriate funding source for advertising and questioned the budgeting of \$38,000 for Cypress Gardens. Mr. Dwight Williams, Cypress Gardens Director, stated that \$35,000 of that amount, plus Accommodations Tax funds, were sent to the Chamber of Commerce which conducts all marketing and advertising. Mr. Callanan contended that taxpayer dollars should neither fund advertising nor be relinquished to the Chamber for that purpose. Supervisor Davis stated that the Chamber handles marketing and advertising for Berkeley County and carefully leverages all funds for maximum advertising value.

Committee Member Callanan reiterated that Accommodations tax revenue, not the General fund, should pay for the marketing for Cypress Gardens or Berkeley County at large.

#### **Elected Officials**

Continuation of the "contract with the elected officials" was recommended. Should any Elected Official choose not to sign a budget contract, his or her budget would be determined by

the Council. FY 2010 budget allocations were based on a percentage of estimated revenues. Collectively, \$576,000 less was allotted in FY 08-09 based on estimated revenues for next year. Further cuts would be detrimental to the Elected Officials' department operations.

### **Fund Balance**

Ms. Smith stated that no Fund Balance usage was included in the FY 2010 budget; this is the first such occurrence in eighteen years. Fund balance replenishment remains a priority, although it may not be possible through operating expenditures this year.

### **Capital Improvement Fund**

Ms. Smith stated that a transfer from the CIF to the General Fund was budgeted for lease-purchase 'buy-down'. She stated that an additional \$250,000 was needed by the Sheriff's Department for lease purchase payment and additional staff for the Detention Center expansion.

A \$10 Million bond issue was recently finalized; therefore essential EMS equipment can be purchased with bond funds rather than CIF. Revenue projections remain unchanged, although projected sales tax revenue, at \$3.3M, includes a slight increase.

Committee Member Fish stated "last year we (Council) approved 29% of the Local Option Sales Tax revenue for one year; are you assuming we will take it again this year?" Ms. Smith stated that was a recommendation for Council's decision. Mr. Fish contended that continued use of the 29% constituted a tax increase. Committee Member Schurlknight stressed that the County must stop accumulating debt. "In essence, the 29% Local Option Sales Tax was a tax increase, there is no denying that."

Committee Member Fish reiterated that the County's use of the 29% equated to a 4.8 mil tax increase. Discussion continued about the importance of balancing debt reduction with the need to protect citizens from an increased tax burden.

Ms. Smith stated, "Our recommendation is to continue to use the 29% as we are permitted by law to do. If we do not, other revenue sources will have to be located, or expenditures will be further cut, or dip into fund balance."

Supervisor Davis Dan Davis stated that funds were budgeted for Cypress Gardens for many years but the deficit continued to rise. The decision to eliminate the debt created the fund balance deficit but corrected a long-standing problem. Committee Member Callanan agreed that eliminating the Cypress Gardens debt was appropriate, but "In all fairness, however, we are not digging ourselves out of debt now, we are digging that hole \$10 million dollars deeper with a General Obligations bond; I don't want to mislead the public on that."

### **Capital Needs - 2010 – 2014**

The Finance Department will, in July, seek Council's approval of \$10 Million dollars for Capital needs. Committee Member Farley requested that Council be provided with a "monthly statement on the 1% tax increase", to which Ms. Smith agreed.

### **GASB 45**

Ms. Smith stated that post-employment benefits were not included in the FY 2010 budget. Original actuary studies indicate an \$11M liability which must be reported in the June 30, 2009 financial statements. She stressed the importance and inherent challenges in reducing that liability.

### **QUESTIONS AND ANSWERS**

Committee Member Callanan inquired about revenue projections and the impact of ATI. Ms. Smith stated that factors included growth, new construction and ATI, adding "We are in a reassessment year, and we will have to roll back taxes." ATI is, however, 'backed out of the rollback calculation.'

Committee Member Farley asked whether a mechanism was in place to reduce debt accumulated relative to rural fire protection and pool fire fees. Ms. Smith stated that Berkeley County does not incur debt relative to individual fire departments. County fire departments are presently independent contractors whose debt is not controlled by the County. The County does not approve their budgets, but collects fees that are turned over to the fire departments.

Ms. Smith further stated that consideration should be given to implementation of County-wide Fire Departments. The recommended FY 2010 Capital Improvement fund includes feasibility studies for IT, EMS and Fire Departments.

Mr. Joshua Gruber, Assistant Attorney, distributed copies of several documents to the Committee, including: Draft of Budget Ordinance #09-21; a Cost Savings Resolution, Draft of proposed FY 09-10 budget contract for Elected Officials, and a Resolution regarding Mount Holly Fee-in-Lieu Properties. *(Copies of these handouts are attached hereto and made a part hereof by this reference.*

Ms. Smith referred to the Resolution for Mount Holly Fee-in-Lieu properties which addresses Fund Balance Restoration concerns. Last year Council re-designated a portion of Mount Holly FILOT funds to pay off a Santee Cooper loan debt. \$4.8 million was subsequently transferred from BCWS to the General fund. A Resolution was passed to re-designate some of the Mount Holly funds to BCWS. Certain properties generated approximately \$1.7 million in FILOT fees last year. The Resolution should be amended to redistribute the first \$500,000 of the Mount Holly FILOT money to BCWS, as a transfer, until the County's 'debt' is repaid. She further requested that Council consider transferring the remaining funds to the General Fund for Fund Balance Restoration.

**B. Bill No. 09-15**, an **ordinance** providing for the adoption of fiscal year 2009-2010 **(beginning July 1, 2009 and ending June 30, 2010) budgets** for the Berkeley County Water and Sanitation and the Berkeley County Water and Sanitation Solid Waste Fund; establishing operational, debt service, and capital improvement budgets for water and sewer; and to provide for the expenditures of revenues coming into Berkeley County Water and Sanitation and the

Berkeley County Water and Sanitation Solid Waste Fund during the fiscal year, and to amend the Code of Ordinances, Berkeley County, South Carolina, setting rates, charges and penalties for Water and Sewer and Solid Waste Service by Berkeley County Water and Sanitation.

Committee Member Callanan asked how the County's debt ratio was calculated, and whether that ratio improved as the County makes annual principal payments on outstanding Bonds.

Ms. Johnette Connelley, BCWS Finance Manager, stated "As in other amortization schedules, as a loan is paid down, interest is primarily what is paid up front." The total debt service payments are balanced, and the debt service is structured across all outstanding bonds.

Mr. Frank Carson, Director of Engineering, stated there are ongoing negotiations with the Department of Transportation relative to intergovernmental agreements. The final draft should be available in July for Council's review. Engineering Contract negotiations are underway for the resurfacing of Jedburg Road. Federal Safety funds may be available; Mr. Carson has provided DOT staff with a cost estimate for possible FY 2010 funds. The DOT has required the County to move ditches out and pave shoulders which will entail environmental work and bridge replacement. The addition of federal funds should ensure sufficient monies to complete the project.

Mr. Carson said that statements of qualification were received for 44 engineering firms. Twelve firms were selected for interviews between July 6<sup>th</sup> and 9<sup>th</sup>. The final four firms will be presented to Council for consideration. Those four firms will be provided work authorizations and assigned resurfacing or dirt pave projects, but contracts might not be finalized until August.

Numerous requests have been submitted for resurfacing projects. A progress tracking method will be developed for allocation of funds and projects to various communities. Committee Member Farley inquired about the impact of 'stimulus funds' on these projects.

Mr. Carson stated that \$1 Million will be directed to the Highway 17-A widening project; no additional funds are expected. An application has been submitted for surface transportation reauthorization for Jedburg/I-26 projects. Surveyors are presently performing on-site work based on the letter of intent. The 'Railroad Avenue Extension' is anticipated to be offered for bid within eight months. Committee Member Callanan stressed that communities must be assured of timely communication and opportunities for feedback regarding the scope and details of pending projects.

Mr. Carson stated that the scope of the 'Clements Ferry Road projects' necessitated the division of work into several parts. The projects encompass completion of five-lane sections, signals, auxiliary signals and lanes, and other tasks.

Supervisor Davis stated that published guidelines relative to 'T Grants' are expected in the near future. Projects of a minimum \$200,000 cost are eligible for these funds. Mr. Carson

stated that the Engineering Department plans to place a page on the County website which will detail projects, status updates, funding sources and other information.

In response to Committee Member Callanan's question, Ms. Kace Smith stated that revenue from the one-cent sales tax could generate from \$12 Million to \$16 Million dollars depending on economic conditions.

It was **moved** by Committee Member Callanan and **seconded** by Committee Member Fish to **adjourn** the special Committee on Finance Budget Workshop meeting. The motion passed by unanimous voice vote of the Committee.

The meeting ended at 9:12 p.m.

July 27, 2009  
Date Approved



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Members: Mr. Phillip Farley, District No. 1  
Mr. Timothy J. Callanan, District No. 2  
Mr. Robert O. Call, Jr., District No. 3  
Mrs. Cathy S. Davis, District No. 4  
Mr. Dennis L. Fish, District No. 5  
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Mr. Daniel W. Davis, Supervisor, ex officio

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June 24, 2009  
S/Barbara B. Austin, CCC  
Clerk of County Council